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SUBJECT: Labor Law Implementation and CSR Cynicism are Key Problems, Say Labor Experts

REF: 04 Guangzhou 27525

¶1. (U) Summary: Despite China's many international labor commitments, migrant workers remain poorly trained, overworked and underpaid, according to experts at a recent conference on Corporate Social Responsibility (CSR) in Shenzhen. Many legal experts said that China's labor laws are theoretically sound but in need of proper implementation through better monitoring and incentive programs. On the factory floor itself, many migrant workers are eager for education, but the government provides little support for such programs. An official at a large Nike factory explained how offering educational and recreational opportunities can greatly lower turnover rates that have plagued other factories. End Summary.

¶2. (U) On October 26-27, poloff attended a Corporate Social Responsibility (CSR) Conference hosted by Shenzhen's Institute of Contemporary Observation (ICO) entitled "Toward the Olympics: China's Opportunities and Challenges." Since its founding in 2001, the ICO has audited over 1,000 factories in Guangdong Province's manufacturing-intensive Pearl River Delta (PRD) and provided worker training sessions in hundreds of others. In March 2004 the ICO started a Migrant Worker Community College, which teaches basic computer skills, English, health care and labor rights. The ICO conference included academics from China and abroad, private sector CSR leaders and representatives from foreign governments, as well as representatives from the United Nations International Labor Organization (ILO).

Workers: Inexperienced, Overworked and Underpaid  
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¶3. (U) ICO founder Liu Kaiming began the conference by presenting troubling statistics on general migrant worker patterns and working conditions. Liu estimated that 200 million farmers have migrated to urban areas. Fifty-eight percent of migrant workers are in manufacturing or construction and 82 percent of them work in the eastern cities of Beijing, Tianjin, Shanghai or the provinces of Zhejiang, Jiangsu, Fujian and Guangdong. Guangdong alone has 40 million migrant workers (27 percent of the total). On average, migrant workers are 29 years old, 77 percent have never gone to high school and 72 percent have no vocational training. As labor rights awareness increases in China, labor disputes have risen from 19,098 in 1994 to 226,000 in 2003. Liu said China has 560,000 foreign companies, which employ 80 million Chinese workers in the global supply chain.

¶4. (U) China's current "Gini" index is 0.49, which Liu said is "dangerously high" (Note: The Gini index measures a country's level of inequality. Many African countries have indices around 0.40. End Note) -- while average wages in China have increased, minimum wages remain relatively low. According to Liu, the average monthly minimum wage for workers in the PRD increased by only 68 RMB (USD

8.5) between 1992 and 2004. Internationally, minimum wages are typically between 40-60 percent of a region's average wage. According to Liu, China has only one city with a minimum wage half of the average wage, while Shenzhen and Guangzhou are the lowest with minimum wages only 18 and 20 percent of the average wage.

15. (U) Migrants tend to work long hours and some do not even receive the minimum wage. The National Statistics Bureau said that in 2004, migrant workers worked an average of 6.4 days a week and 9.4 hours a day. Recently, the ICO conducted a survey of 300 factories and found 50 percent of workers received the minimum wage, 30 percent did not, and 20 percent received wages higher than the minimum. Liu said that such harsh conditions have led some PRD factories to have turnover rates of 40 percent.

#### Chinese Law Sound, but Must be Better Implemented

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16. (U) Roger Plant, director of the ILO's special program on forced labor, noted that in 1998, the international community (along with China) adopted the Declaration on Fundamental Principles and Rights at Work, obligating member-states to uphold four core labor principles: no forced labor, no child labor, no discrimination in the work place and freedom of association and collective bargaining. Plant said that the key challenge for China is to guarantee the rights of its migrant workers. Plant believes that child labor is less of a problem in China than in other Asian countries, but that labor mobility is limited due to China's "hukou" (household registration) system.

17. (U) Guo Jianwei, director of Peking University's Women Legal Research and Service Center, said that although China has signed 23 labor rights-related international conventions, China's biggest problem remains implementing its international legal obligations.

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When advocating for labor rights, Guo said her group tries to view the situation from the enterprise's perspective. The problem is that the Chinese government neither encourages nor punishes enterprises that improve labor rights standards. Guo said the situation is different in other countries like the United States, where companies receive tax breaks for CSR activities and penalties for breaking the law.

#### Multi-National Companies Remain Cynical of CSR

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18. (U) Renmin University's Chang Kai, one of China's leading labor experts, admonished multi-national corporations (MNCs) because, based on his research of hundreds of factory manuals, many MNCs merely strive to meet the lowest labor standards allowed in China. Kai urged MNCs not to rely just on the Chinese government to make changes, but also to strive for higher international standards. Moreover, CSR should increase benefits (such as higher pay) and respect workers' rights, such as collective bargaining and permitting dissent.

19. (U) Kai also argued that MNCs in China have merely been public advocates for CSR and have not tried to address systemic problems. Kai pointed to the recent Foxconn (a Taiwan electronics manufacturer) scandal as a "typical" example of MNCs views toward CSR. In June, two Mainland journalists published an expose on the labor conditions of a Foxconn subsidiary in Dongguan, Guangdong Province. Kai said the reaction by Foxconn and local authorities was excessive and "unnatural." Foxconn immediately sued the journalists for RMB 30 million (USD 3.8 million), making it the Mainland's largest defamation case in history. In the pre-trial motions, the Shenzhen courts decided to freeze the journalists' assets. In the end, Foxconn admitted it had labor problems and dropped the libel suit. Kai said that Foxconn then came out with a CSR-type campaign that expressed its "admiration" for the media coverage and "thanked" the journalists for their efforts. Kai argued that Foxconn never resolved its labor problems, but instead focused only on good public relations.

Workers Want to Learn, but Government Won't Pay

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¶10. (U) According to the research by Peking University's Wang Rong on migrant workers in Shanghai, workers were willing to personally pay RMB 2,000 (USD 250) a year for education. Wang was surprised by these findings, as the current tuition for adult education in Shanghai is around RMB 3,000 (USD 375). Wang highlighted the gap between worker's demand and Central Government spending on education. In 2005, the Central Government allotted RMB 10 billion (USD 1.25 billion) on education for migrant workers, but according to Wang's research, the market demand from migrant workers is near RMB 350 billion (USD 43.75 billion). Wang said most workers do not study because they lack access to information and transportation, or they are simply too tired from working long hours.

Positive Examples from the Private Sector  
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¶11. (U) Topy He, leader of a team of 28 CSR workers at Nike's Yue Yuan Industrial Plant (YY) in Dongguan, described Nike's strategy to improve worker conditions. YY (reftel) is one of South China's largest factories with over 90,000 workers. Factory laborers work six days a week, but are not allowed to exceed the maximum 36 hours overtime per month. When the workers approach the overtime limit, the factory foremen are given a warning to ensure compliance. Some workers can earn up to RMB 1,300 (USD 163) per month, including overtime pay. In addition to fair wages, Nike also provides training in English and computers skills, as well as access to games, television, a library and a park. As a result of these benefits, Topy He is proud that Nike has kept its turnover rate to around three percent annually.

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